

Message Text

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PAGE 01 BUENOS 03607 171216Z
ACTION ARA-10

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FM AMEMBASSY BUENOS AIRES
TO SECSTATE WASHDC 0498
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LIMITED OFFICIAL USE BUENOS AIRES 3607

E.O. 11652: N/A
TAGS: EFIN, PGOV, AR
SUBJECT: NEW GOA INSURANCE REGULATIONS

REF: BUENOS AIRES 3569

1. FURTHER CONVERSATION WITH AIU GROUP HAS UNCOVERED ADDITIONAL INFORMATION WHICH IS PERTINENT TO POTENTIAL IMPACT OF NEW GOA INSURANCE REGULATIONS ON U.S. INSURANCE INTERESTS IN ARGENTINA. ACCORDING TO SHELPA, AIU AND OTHER FOREIGN COMPANIES HAVE MANAGED TO MAINTAIN MAJORITY OWNERSHIP OR CONTROL OF THEIR LOCAL "NATIONAL" COMPANIES THROUGH A LOOPHOLE IN THE LAW. THE LOOPHOLE CONSISTS IN DEFINING A NATIONAL COMPANY AS ONE IN WHICH X PERCENT OF IT HAS TO BE OWNED EITHER BY AN ARGENTINE OR A "RESIDENT." SINCE THERE HAS BEEN NO RESTRICTION ON THE NATIONALITY OF THE "RESIDENT," MOST FOREIGN COMPANIES HAVE SATISFIED THE PERCENTAGE REQUIREMENTS OF THE LAW BY HAVING A SUBSTANTIAL PORTION OF THEIR SHARES HELD BY THE "RESIDENT" FOREIGNER REPRESENTING THEIR INTERESTS. THROUGH THIS MECHANISM, AIU HAS APPROXIMATELY 80 PERCENT OF THE SHARES IN MERIDIONAL, WHICH IS CURRENTLY OPERATING AS A NATIONAL COMPANY.

2. IN CONVERSATIONS WITH GOA OFFICIALS, THE AIU
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PAGE 02 BUENOS 03607 171216Z

REPS HAVE BEEN ADVISED THAT THE NEW INSURANCE REGULATIONS WILL RETAIN THE "RESIDENT" LOOPHOLE AND THAT THEREFORE THEIR OPERATIONS SHOULD NOT BE THAT AFFECTED. AIU REPS, HOWEVER, FEAR THAT THE LOOPHOLE WILL BE TIGHTENED AT SOME LATER DATE -- A TREND THEY NOTE IN THE STIPULATION IN THE NEW REGULATIONS THAT THE "RESIDENT" MUST HAVE BEEN IN ARGENTINA CONTINUOUSLY

DURING THE PAST THREE YEARS.

3. AIU REPS WANT EMBASSY TO SEND NOTE TO GOA INDICATING THAT PROPOSED NEW REGULATIONS COULD CAUSE ARGENTINA PROBLEMS WITH SECTION 301 OF 1974 TRADE ACT. WE HAVE TOLD THEM WE ARE AWAITING INSTRUCTIONS FROM THE DEPARTMENT ON THIS PROPOSED APPROACH.

4. DISCUSSION WITH BRITISH EMBASSY REVEALED THAT IT HAS HAD REQUEST FOR INFORMATION ON THE NEW INSURANCE REGULATIONS BUT IT HAS NOT YET RECEIVED INSTRUCTIONS TO MAKE REPRESENTATIONS ON BEHALF OF BRITISH INSURANCE COMPANIES.

5. COMMENT: THE MORE INFORMATION THAT COMES TO LIGHT, THE MORE IT SEEMS AS THOUGH THE AMERICAN AND FOREIGN INSURANCE COMPANIES ARE REALLY AFRAID ABOUT THE FUTURE APPLICATION OF THE INSURANCE REGULATIONS. AS THE NEW REGULATIONS ARE DRAFTED, THEY COULD STILL OPERATE IN ARGENTINA AS "NATIONAL" COMPANIES BY USING THE LOOPHOLE -- AN INTIMATION MADE TO THEM DIRECTLY BY GOA OFFICIALS.
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